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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 023905

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FRANCISCO FRB FOR CURRAN/LUNG; NEW YORK FRB FOR DAGES/CLARK

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TAGS: [ECON](#) [EINV](#) [ETRD](#) [ELAB](#) [PGOV](#) [CH](#)
SUBJECT: (C) GETTING RICH IN ZHENGZHOU: CPPCC MEMBER ON
REAL ESTATE, UNITED STATES-CHINA RELATIONS, AND THE RURAL
ECONOMY

Classified By: (C) CLASSIFIED BY MINISTER COUNSELOR FOR ECONOMIC AFFAIR
S ROBERT LUKE; REASON 1.4 (B) AND (D).

SUMMARY

¶1. (C) A member of the National Committee of the 10th Chinese People's Political Consultative Conference, who is also one of China's wealthiest businessmen, shared his personal perspective on economic development in Zhengzhou, Henan Province during Econoff's recent visit to the city. He noted that Zhengzhou's real estate market is growing at a blistering pace, but the only concerns for overheating in the sector are those projects supported by local government officials for political gain. Rural development remains critically important, he said. On United States-China relations, he hopes there will be more bilateral engagement in Henan Province. (Note: Zhengzhou is a target APP city. End Note.) End Summary.

TRAVEL TO HENAN

¶2. (C) Econoff, Econ Assistant, and Conoff traveled to Zhengzhou, Henan Province, November 6-8. Econoff met with Wang Chaobin, a wealthy businessman and member of the Chinese People's Political Consultative Conference (CPPCC), and visited one of Wang's business developments, the Zhonglu Wuliu Square, on the evening of November 6.

GETTING RICH IS GLORIOUS IN ZHENGZHOU

¶3. (C) Wang Chaobin, age 50, is one of Henan Province's ten wealthiest individuals and is ranked 286th on the Forbes list of China's 400 richest entrepreneurs with a net worth of USD 133 million. Wang, who also owns property in Long Island, New York, hosted President Clinton during a visit to Zhengzhou in 2005, and his son recently graduated from Emory University in Atlanta. Wang is a local real estate magnate, serving as Chairman of the Board of Henan Taixin Estate Company, which was established in 1990, and his latest venture, the Henan Zhonglu Wuliu Square, grossed RMB 5.2 billion (USD 650 million) in sales of brand-name consumer products in 2004. The Square, located in Zhengzhou at a busy transportation junction, includes a 108,000 square meter display center.

REAL ESTATE IN CHINA'S WILD, WILD CENTRAL REGION

14. (C) Wang stated that Zhengzhou's rapid development provides significant opportunities for real estate development. Local real estate companies such as Taixin have an advantage in Henan over foreign companies or firms from Eastern China due to the nature of political and economic connections in the real estate industry, he said. Currently, Taixin is partnering with some American companies and is in the process of negotiating several deals ranging from USD 10-15 million each. With regard to the Central Government's concerns about overheating in the real estate sector, Wang's son George said that there are few problems with occupancy as long as real estate firms in Zhengzhou build "reasonable developments at reasonable prices."

15. (C) Wang Chaobin stated, however, that the city's Zhengdong New District, a USD 35 billion investment noted in a September 2006 Wall Street Journal article, is a completely unreasonable development, built at a scale that makes little economic sense and serves only to fuel local politicians' ambitions. Wang confirmed that Beijing reprimanded several provincial and municipal officials, including Henan Province Party Secretary Xu Guangchun and Zhengzhou Mayor Zhao Jiancai, for moving forward with projects in the Zhengdong New District that exceed the investment scope thus far approved by the Central Government. (Note: The reprimands were covered in Beijing, including on the front page of the Beijing News. End Note.) In Wang's view, the reprimands will do little good, however, as Beijing has few answers to China's three major local governance problems: corruption, taking bribes, and local officials looking for promotions.

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UNITED STATES-CHINA COOPERATION IN HENAN PROVINCE

16. (C) With Central China rising, Wang said he hopes Henan Province, China's most populous province with 97 million residents, can have closer engagement with the United States.

Wang stated that he loves the United States and maintains close ties with the United States and thought it was important for his son to receive an American education. (Note: George Wang is a green card holder who speaks fluent English and has lived most of his life in the United States. End Note.)

17. (C) Wang said his first loyalty, however, is to China, and as a member of the CPPCC, he is sensitive that there may be political difficulties posed by stronger United States-China relations. Given the political realities in Henan Province, Wang believes the Embassy can help promote closer cooperation with the province but he cautioned that cooperation likely will not be too close in the near-term. Wang encouraged American diplomats and other official USG visitors to continue in the meantime to visit Zhengzhou frequently and engage with provincial government officials on economic issues.

AS GOES THE RURAL ECONOMY, SO GOES HENAN

18. (C) Despite rapid growth in Henan's major cities (see septel), the province remains primarily agricultural, and Wang said he is concerned about the plight of the rural poor.

As a member of the National Committee of the 10th CPPCC, Wang received national attention for proposing to Premier Wen Jiabao that agricultural taxes be reduced or eliminated. The Central Government officially abolished the agricultural tax at the March 2006 session of the National People's Congress (NPC). China will not be able to balance regional economic growth if the government fails to boost incomes in the countryside, Wang said.

